Fiscal Impact Analysis
Redevelopment Master Plan under 40R Zoning
1600 Osgood Street
North Andover Massachusetts

April 28, 2007

Preface

Connery Associates has been retained by Ozzy Properties, Inc. to prepare a Fiscal Impact Analysis for a Redevelopment Master Plan of 1600 Osgood Street in North Andover. The Redevelopment Master Plan (Master Plan) is a mixed use development on the site of the former Lucent Technologies site, and prior to that, the Western Electric facility. The development program examined in this analysis assumes a residential build out in five years and a commercial build out in ten years under the auspices of a 40R zoning district The rate of commercial and residential new development assumes a straight line over 10 years, with the taxable value of the "as-is" or existing building remaining constant. Obviously other scenarios are possible, but to be conservative and to illustrate the potential order of magnitude of the net fiscal impact of the *proposed additions and improvements* we have assumed the above noted assumption. This report uses FY2007 municipal budget data and current residential and commercial tax rates to arrive at the estimated net annual fiscal impact.

The primary objective of this analysis is to estimate the net fiscal profile of the new / renovated residential and commercial components, and the Master Plan as a whole including the current buildings and uses. Expressed in current dollars, we will project the annual fiscal gain or loss by assigning municipal service cost and revenue to each component of the proposal to generate a ***net*** fiscal gain or loss.

1.0 Summary of Methodology

The analysis divides municipal residential service cost into school costs and general service costs i.e. all other non-school costs. For each cost category an examination of the incremental or as appropriate, per capita cost was undertaken. For example, after estimating the number of school aged children most likely to be generated we developed an incremental cost per new student. Specifically, we examined the cost of instruction (with all associated employment benefits), special education costs, the cost of supplies and materials per student, and anticipated transportation costs. The estimated incremental cost was then applied to the total number of the estimated additional students to arrive at a total education cost.

The general service costs were computed on a per capita basis since there is a direct relationship between numbers of people and general service demands. However, to determine the total cost it was necessary to examine the proposal's impact on a department by department basis. Obviously, full service costs for items like police, fire,

dispatching services were included as well as all human service costs such as libraries, recreation, elections, and other general service cost items. Importantly, there are departments or budget line items that will not be impacted by the proposal. Obvious examples of line items not impacted are the existing debt, stabilization funds, and free cash.

After determining the per capita costs for the impacted departments we applied said value to the estimated residential population of the proposal to generate the total general service cost. As with the total school costs, we derived an estimated cost per unit for general service costs, and by combining both cost types we arrived at a total service cost for the residential component.

Determination of municipal service cost relative to residential development represents only one part of the fiscal equation. To estimate net fiscal impact we examined the residential revenue stream. In this instance we used the full and fair market value approach to determine assessed value since the project proposes a sale product and the income assessment approach for the rental units. We also examined the value of automotive excise taxes, applicable local receipts and the potential for Chapter 70 foundation school aid. We combined all revenue sources to determine a gross revenue stream. Relating the total costs to total revenue generates the fiscal profile of the residential component.

The commercial cost assessment followed a proportional valuation methodology to estimate the percentage of current service cost attributable to non-residential uses. Once we derived a non residential service cost we computed a cost per square foot for the average existing non-commercial uses in the community and applied said value to the proposed development to estimate annual service cost. To determine the commercially generated revenue stream we employed the income valuation method based on the rental values used in the report. Finally, we compared the costs and revenues of the commercial component to arrive at a commercial fiscal profile.

2.0 Summary of Findings

1. The proposed development will generate an annual ***net*** positive fiscal benefit of approximately $807,000 per year by year five and $1,048,000 by year ten, even including consideration of the Tax Increment Financing Agreement (TIF) entered into between the Town and Owner.

2. At build out, gross revenues (for new construction only) will be approximately $2,100,000; if reuse of existing 1.4 million s.f. of buildings is successful, gross revenues will exceed $4,000,000 million dollars per year.

3. Cumulative ***net*** fiscal benefit, from new construction of commercial and residential only, will be approximately $2.5 million dollars in five years and approximately $6 million dollars in ten years.

4. The Master Plan (new construction only) will add approximately $190,000,000 to North Andover's total assessed valuation at build out, and on average add $19,000,000 per year as new growth assessments not immediately subject to property tax levy restrictions.

5. The residential component comprised of 230 condominiums and 300 apartments will generate *not more than* to 60 additional students or about 6 students per year during the projected 10 year build out. The residential component will generate a net fiscal benefit of $318,000 per year.

6. The Master Plan will generate approximately $15,000,000 in additional retail sales within the community providing financial support to North Andover businesses and the existing commercial tax base.

7. The proposal will generate at least $1,500,000 in building permit and associated inspection fees payable during a construction period of 5 to10 years.

8. If approved as a 40R development, the proposal will generate $2,190,000 as one time 40R zoning fees

9. Total one time payments over a period of five years, will be approximately $3,690,000.

10. The Community Preservation Act Assessment will generate an additional $30,000 per year after residential build out

3.0 The Master Plan Development Program

The following tables summarize the commercial components of the proposed Master Plan. A significant portion of the commercial component of the master plan will be in place within five years, however, the full commercial build-out is anticipated to take approximately 10 years from the time of construction approvals. Accordingly, this report will present the fiscal implications of the proposed Master Plan in five year intervals, in order to give the reader an estimate of the anticipated revenue flow.

Table 1 Proposed Commercial Uses

Use	Square Feet
Existing Commercial	1,440,000
Renovated Office	250,000
Renovated Medical	150,000
New Warehouse/Office	80,000
New Commercial Recreation	100,000
New Restaurant	7,500
New Retail	216,000
Total	**2,243,500**

In addition to the above outlined commercial uses the Master Plan includes a residential component. The total number of residential units proposed to be constructed over a period of 10 years, is 530. The residential component is divided into for sale and rental elements. However, the exact condominium to apartment ratio is as yet fully defined and the final ratio will most likely be subject to housing market realities. Accordingly, to illustrate the fiscal impact of variations in the condominium to apartment ratio we have examined three such scenarios but we have employed use the primary proposal of 230 condominiums and 300 apartments as the basis of the tables in our report. The other scenarios examined will include a 160 condominium and 370 apartment scenario; and a scenario of 80 condominiums and 450 apartments.

The assumed unit mix for the residential component is 30% one bedroom, 65% two bedroom and 5% three bedroom for the condominium and apartment elements, a decidedly non-family oriented unit type mix. Additionally, to be consistent with 40R regulations 20% of all residential units will be affordable units consistent with Department of Housing and Community Development (DHCD) Guidelines, and in the examples below the affordable percentage is applied to individual unit types.

Tables 2 and 3 below assume 230 condominiums and 300 apartments and each table presents sale and rental values used to estimate the assessed value of each residential element.

Table 2 Residential Use Condominiums

Market Rate Condominiums	**Number of Units**	**Estimated Price per Unit**
1 bedroom .	55	$250,000
2 bedroom	119	$300,000
3 bedroom	11	$350,000
Subtotal	**184**	
Affordable Rate Condominiums		
1 bedroom	14	$110,000
2 bedroom	30	$130,000
3 bedroom	2	$150,000
Subtotal	**46**	
Total Condominiums	**230**	

Based on the table above, the total assessed value of the condominium component assuming 230 condominiums is approximately $62,350,000; if 160 condominiums are constructed the assessed value declines to approximately $43,350,000; and if 80 condominiums are constructed the assessed value will be approximately $21,700,000.

The residential component of the also contains apartment residences. Table 3, below, examines the assessed value of 300 apartment units but similar to and to match the condominium element we have also examined 370 and 450 apartment scenarios.

Table 3 Residential Use Apartments

Market Rate Apartments	**Number of Units**	**Monthly Rent**
1 Bedroom.	68	$1,350
2 Bedroom	146	$1,750
3 Bedroom	11	$2,100
Subtotal	**225**	
Affordable Rate Rental		
1 bedroom	23	$ 900
2 bedroom	48	$1,200
3 bedroom	4	$1,450
Subtotal	**75**	
Total All Units	**300**	

To estimate the total assessed value of the apartment residences we used the income method and assumed a 5% vacancy deduction, a 20% operation and maintenance deduction, and a capitalization rate of 0.08.

Based on said factors we determined that 300 apartments would have an assessed value of approximately $46,840,000; 370 apartments would be valued at approximately $59,000,000; and 450 apartments would have an assessed value of 71,760,000.

5.0 Residential Component and Fiscal Impact

To estimate the fiscal impact associated with the residential component summarized in the tables above we have divided municipal expenditures into two broad categories: first,, school expenditures by which is meant the incremental cost of adding new school age children to the public school system; second, non-school costs which represents all other forms of municipal service costs such as public safety, cultural, recreation, and other public services.

4.1 School Enrollment Trends and Education Costs

For North Andover, as in most communities, education is the single most expensive residential municipal service cost. In FY2007, the total net school spending per student in North Andover was $8,483, as reported by the Massachusetts Department of Education; of said amount approximately $1,027 was provided by state aid. Therefore, the local share of school costs was approximately $7,500 dollars for each of the approximately 4,700 students.

North Andover is similar to a number of suburban communities in that total elementary enrollment has declined slightly in recent years while high school enrollments have increased, generating a 4 to 5% system wide enrollment expansion.

However, in large measure the cost of adding new students is not simply an application of the cost per pupil times the number of new students. Additional school costs vary from community to community but in general they are a combined function of the physical capacity / condition of the existing system, local enrollment trends, and the underlying growth rate of the community. If a school system has considerable or moderate physical plant capacity, a stable to slow student enrollment growth pattern, and a low community population growth rate, the incremental cost associated with the addition of new students is usually considerably less than the average per student cost. Conversely, if the overall school system is experiencing rapid enrollment gains, and community wide population growth rates are high and projected to remain high, it is likely that any additional students may generate an increase in staff, redistricting or in some cases additions to the physical plant. We note North Andover has recently completed an extensive school building needs analysis and has embarked on a new school building effort that has included a new or renovated high school, middle school, and elementary schools and initial discussions concerning a new elementary school.

For North Andover, state (Executive Office of Environmental Affairs) community build-out studies indicate that while residential growth expanded significantly from 1970 to 2000, North Andover is now a mature residential community and enrollment pressure due to additional single family development is anticipated to be significantly lower than in past decades. Currently, North Andover has approximately 4,700 students or 0.46 students per residential dwelling unit; an average considerably higher than the statewide average of 0.35. This result is a reflection of the single family nature of North Andover and the high quality public school system supported by the community.

Table 4 below illustrates the values used to estimate the number of school aged children generated by the residential component over a 10 year build out. However, it should be noted that the values expressed are based on local multi-family data. We firmly believe that the total number of students generated from the 40R district will most likely be significantly lower than what we are conservatively projecting due to the classic atypical location of the proposed housing. Our school –aged student projections, therefore, should be considered the high end of the range for additional school aged children. Specifically, residential developments that are a part of mixed use developments, are situated in predominately commercial / industrial locations, are not directly related or linked to traditional residential neighborhoods by easy and clear pedestrian access, do not have clearly defined private recreation areas for children, and are overwhelmingly comprised of non family housing (in this instance 95% of all housing is one and two bedroom non family housing) will generate considerably less than half the school-aged children rate per unit than would the same development in a typical location. The residential component under discussion clearly meets all the requirements of an atypical location but to provide North Andover with a conservative and prudent education cost buffer, this analysis uses the local multi-family experience which is data distilled from both typical and atypical locations; please see Appendix 2 for a comparison of atypical and typical locations and resulting rates of school children per unit in the region for comparable communities.

As part of a previous report, we submitted a copy of a study entitled "Housing the Commonwealth's School Aged Children," prepared in 2003, to the Town. The report was prepared for the Citizens Housing and Planning Association (CHAPA). The report is the most detailed survey of student generation by multi-family housing types in Massachusetts. It should be noted that among its findings, building type and location, as well as number of bedrooms, were determined to play significant roles in student generation rates. Residential developments with two or less bedrooms per unit were found to generate relatively few school aged children, while three bedroom multi family units generated considerably more school aged children but less than new single family houses. Further, buildings with elevators are clearly attractive to older residents, since the condominium or apartment becomes an essentially one level housing unit. Conversely for cultural, play space, and perceived child safety issues; people with school aged children, or people with children in general, have a strong tendency to avoid buildings with elevators, therefore reducing the school aged child count per unit considerably. In addition, the atypical location of the residential component of the 40R

district will feature buildings with elevators and a large predominance of one and two bedroom units; further depressing the total of school aged children.

In estimating the number of students, we were cognizant of the location of residential uses within a mixed use development and an atypical residential setting. However, in Table 4, below, the values per unit type and the number of students generated reflects local multi-family school student generation experiences (See appendix 1), adjusted to unit type (number of bedrooms per unit) without consideration given to the clearly atypical location of the proposed units. Further, to be additionally conservative we have used a private school rate of only 10% rather than the current Town average of 18%. In general, we believe the school student generation estimates shown below are conservative (high) but to be prudent we have decided to include said costs in this fiscal analysis. Table 3, below, assumes 230 condominiums and 300 apartments, but we will also present the student generation projections for 160 condominiums and 370 apartments; and 80 condominiums and 450 apartments scenarios.

Table 3. School Age Children by Unit Type

Market Rate Condominiums	**Number**	**Students / Unit**	**Students**
1 bedroom	55	0.00	0.00
2 bedroom	149	0.10	14.90
3 bedroom	11	0.40	4.4
Subtotal	**184**		**19.30**
Affordable Rate Condominiums			
1 bedroom	14	0.00	0.00
2 bedroom	30	0.10	3.00
3 bedroom	2	0.60	1.20
Subtotal	**46**		**5.20**
Market Rate Rental			
1 bedroom	68	0.00	0.00
2 bedroom	146	0.13	14.04
3 Bedroom	11	0.40	4.40
Subtotal			**18.44**
Affordable Rental			
1 bedroom	23	0.00	0.00
2 bedroom	48	0.40	19,0
3 bedroom	4	0.80	3.2
Subtotal			**22.20**
Total	**600**		**66.94**
Adjusted to account for 10% of students to private schools			**60**

As noted, the above analysis indicates that up to 60 additional students (or approximately 6 students per year to all grades (K-12) during the projected ten year build out period. In terms of enrollment, approximately 35 students will enter the various elementary grades and the remaining 25 students will enroll the various middle and high school grades.

To determine the total build out and annual education costs associated with the anticipated new enrollment, we assumed current dollar value and assigned $7,500 per student see Section 4.1 above, or $450,000 (current dollars). On an annualized basis we estimate that for a ten year period, school costs will increase at the rate of approximately $45,000 per year. The estimated education cost per residential unit (530) units is $850.

Using the same approach to determine the number of school aged children for the other potential scenarios, reveals that there will be approximately 65 school aged children in a scenario with 160 condominiums and 370 apartment units and 72 school age children for the scenario with 80 condominiums and 450 apartments. The additional students will create a $40,000 and $88,000 increase in school costs respectively.

5.0 General Service Costs (Non-Education Costs) Residential

In calculating general service costs we examined the operating budget of each municipal department, and if the nature of the proposal was determined to have a direct impact in a measurable manner, said budget was included as part of general service costs analysis. However, not all departments are impacted. In this instance, we can determine no fiscal impact to such items existing debt service, existing employee benefits. Since all the new roads, lighting and on site drainage responsibilities will be provided by private owners there is minimal if any on site DPW costs. Accordingly, in Table 4, below, certain costs are listed as budget line items but not as costs assigned to the proposal. It should be noted that in the report where potential new public employees are necessary we include all direct and indirect costs. The proposal will also result in payment of building permit and various other construction fees therefore is no additional incremental cost impact assigned to the building department. Finally, the proposed uses will pay water and sewer fees on a usage basis as do all uses in North Andover, thus said utility cost is addressed as a pay as you use system.

General Service cost is primarily driven by population demand; accordingly it is traditionally expressed as a per capita cost. In this instance the 530 proposed residences have estimated population of approximately 1.83 people per household, a ratio lower than the existing town average of 2.6 people per household, a number that is heavily influenced by the predominance of single family houses with four to five bedrooms, as compared to the proposed residential component which averages 1.75 bedrooms per unit. Accordingly, we can anticipate a total population of approximately 975 people at full residential build out in ten (10) years.

As indicated in Table 5 below, where no measurable departmental cost impact is anticipated, we have indicated said decision by showing a zero in the fiscal impact column. Column one (left to right) lists the individual operating budgets; column two

indicates the FY07 budget, column three (moving left to right) indicates the current per capita cost; and column four indicates the anticipated incremental cost is anticipated. The values in said column are a function of 975 new residents multiplied by the existing departmental costs per capita. Adding the individual departmental cost impacts generates the estimated total general service cost per year, and dividing said number by the total of 530 units generates the general service cost per residential unit.

Table 4 General Service Impact by Department

Departmental Budget	**FY07 Projected**	**Cost per Capita FY07 (1)**	**Fiscal Impact (2)**
General Government Services	$2,290,800	$85	$30,000 (3)
Public Safety	$7,896,232	$293	$286,000
Public Works	$4,392,764	$163	$ 0
Health and Human Services	$727,652	$27	$ 26,000
Culture / Recreation	$714,773	$27	$ 26,000
Debt Service	$9,549,405	$354	$0
Employee benefits (3)	$10,300,901	383	$ 80,000
Liability Insurance	$408,134	$15	$0
Capital Reserves	$461,962	$17	$0
State Assessments	$2,124,599	$79	$ 77,000
Total			**$525,000**

(1) Assumes a population of 27,000
(2) Based on 975 new residents
(3) Assumes no measurable cost to general government, but includes estimated cost to elections, town clerk, and assessors.
(3) Benefits for new school employees carried in school costs, this item assumes 4 additional public safety employees each with $20,000 in non salary benefits.

Given the estimated additional population of 975; the initial general service cost estimate is $525,000. However, departmental operating budgets also service non-residential uses (commercial and industrial uses). Using the proportional valuation method detailed in The Fiscal Impact Handbook by Burchell and Listokin, we estimate that 10% of current total service costs by affected department are attributable to non-residential land uses. Therefore, to more accurately estimate the residential general service cost, we have reduced the $525,000 total general service cost noted above for residential uses by, by 8% to $483,000. Accordingly, the estimated general service cost per new residence is estimated to be $911.

Table 5 below combines the school and general service cost on a per residential unit basis to generate the estimated average municipal service cost on a per unit basis; and the total service cost for the 530 unit residential component. As indicated, the average estimated

incremental general service cost per unit is $1,761, and the total annual service cost at build out is estimated at $933,000 current dollars. Assuming a 50% residential build out in five years, the estimated residential service cost will be approximately $477,000. For the purposes of illustration, the annualized additional residential service cost over a 10 year period will be approximately $95,000 per year.

Table 5 Projected Municipal Service Costs

Number of Residences	Education Cost per Unit	General Service Cost / Unit	Municipal Service Cost / Unit	Total Municipal Cost
530	$850	$911	$1,761	$933,330

6.0 Residential Revenue Sources and Fiscal Profile

Using the estimated values as previously indicated in Tables 2 and 3 and the FY07 residential tax rate of $10.45, we prepared Table 6 below to illustrate the estimated property tax yield of the three residential development scenarios

Table 6. Estimated Property Tax Yields

Residential Scenario	Estimated Total Assessed Value	Property Taxes	Average tax per unit
230 condominiums 300 apartments	$111,000,000	$1,160,000	$2,188
160 condominiums 370 apartments	$100,000,000	$1,040,000	$1,962
80 condominiums 450 apartments	$ 88,000,000	$ 919,000	$1,733

In addition to property taxes we estimate that the 530 units will generate 1.5 vehicles per unit or 800 registered vehicles. Using an average of $115 per vehicle for excise tax yields an additional $92,000 or $174 per unit.

Table 7 below, illustrates the cost to revenue ratio for the average unit and the proposal as a whole (the 230 condominiums and 300 apartments scenario). The cost to revenue ratio for the remaining two residential scenarios is provided after the Table 7.

The cost to revenue ratio, in the table below, represents the annual fiscal profile of a particular development scenario or the percentage of every revenue dollar received that is

needed to cover all service costs. It serves as fiscal shorthand to indicate the order of magnitude of the fiscal gain or loss.

Table 7 Service Cost to Revenue Ratio

Residential Scenario	Property. Tax per unit	State Aid(1)	Local Receipts and Excise Taxes(2)	Average Total Revenue per Unit	Gross Service Cost per Unit	Cost to Revenue Ratio
530 Residences	$2,188	$0	$174	$2,363	$1,761	0.75

1. We determined that for the 6 additional students added each year over a period of 10 years the nature of the state aid formula and current local expenditure level is such that no *additional* or incremental Chapter 70 education aid will be generated.

2. In addition to the an average excise tax estimate of $135 per unit, the town receives approximately 5.5 million dollars in other local receipts, However, while said fees are an important local revenue source and will "support" the proposal we do not find that the proposal will necessarily *generate* similar local fees. Thus no local receipts, except for excise taxes, have been included as a revenue source.

At build out, the overall residential component has a positive cost to revenue ratio of 0.76 and generates a net positive fiscal return of $318,000 per year current dollars ($1,252,000 of total revenue minus $934,000 in total cost).

Using the same approach as illustrated in Table 7 above we find that the net annual fiscal profile of the two other residential scenarios mentioned in this report are described below. Please note that due to the slightly higher school age student per unit count for apartment developments, the total service cost for the other scenarios increases by $40,000 for the 370 apartment scenario; and by $80,000 for the 450 apartment scenario.

- 160 condominiums, 370 apartments: will net fiscal benefit of approximately $159,000; with a cost to revenue ratio of 0.86

- 80 condominiums, 450 apartments: will generate a net annual loss of $3,000; with a cost to revenue ratio of 1.002, essentially revenue neutral.

As indicated by the above discussion the relative fiscal outcome of the residential component is driven by the percentage of condominiums in the residential mix. In turn, this relationship is a derivative of the difference in assessed value generated by the full and fair market value used for condominiums and the income method used for apartments

Please note; we believe the above fiscal profiles for the three residential scenarios are conservative given that we employed a high end student per unit ratio, to provide the community with a fiscal buffer relative to school costs. It is most likely that the

residential component given its classic atypical location will generate at least $80,000 to $100,000 less in total school costs per year. Accordingly increasing the net fiscal benefit of each revenue positive residential scenario noted above and also making the revenue neutral scenario a net fiscal benefit.

7.0 Commercial Component

Determining the fiscal profile of the commercial component required preparing fiscal impact estimates for each the various commercial elements, some of which will be impacted by a 20 year tax increment financing agreement (TIF). To be consistent with the residential analysis and to illustrate the fiscal profile of the mixed use proposal we examined the fiscal profile of the full commercial build out elements assuming current costs and revenues. However, to illustrate the long term revenue stream and illustrate the impact of the TIF, we will also illustrate cost to revenue projections over a 20 year time frame.

Using data provided by the Commonwealth's build out analysis we found that the Town of North Andover has approximately 6.5 million square feet of commercial and industrial space. Dividing the estimated 1.38 million dollars of commercial and industrial service cost into 6.5 million square feet generates an existing average service cost of 21 cents per square foot. Table 7 below relates the estimated revenues anticipated from the various renovated and new commercial elements (current "as is" excluded) to the average service cost noted above in order to estimate the cost to revenue ratio of the proposed renovated and new commercial development without regard to the TIF agreements.

Table 7 Net Fiscal Position of New Commercial Elements

Commercial Use	Gross Area	Est. Taxable Value/sq. ft.	Gross Revenue @ $12.63	Service Cost at $0.21 sq. ft.	Net Annual Fiscal Gain (loss)
Renovated Office	250,000	$80	$253,000	$52,000	$201,000
Renovated medical office	150,000	$100	$189,000	$31,000	$158,000
Warehouse/ Office	80,000	$60	$ 61,000	$13,000	$ 48,000
Commercial Recreation	100,000	$50	$ 63,000	$21,000	$ 42,000
Restaurant	7,500	$175	$ 17,000	$ 2,000	$ 15,000
Retail	216,000	$150	$409,000	$45,000	$ 364,000
Totals	**803,500**		**$992,000**	**$164,000**	**$828,000**

As shown above, the new renovated and new commercial components identified would generate a cost to revenue ratio of 0.17 ($164,000 to $992,000 revenue), an obviously a

strong positive fiscal profile and a highly desirable fiscal outcome. However, the existing TIF agreement does impact portions of the proposed commercial development for a period of 20 years. Specifically the improved value of the 250,000 sf. renovated professional office and 150,000 sf medical office space or 6 million dollars in improvement value. Therefore, in the Table 8 below we will analyze the net fiscal position of the overall proposal and assume that the taxable value of the 1,440,000 sq. ft. "as is" will remain constant.

It is important to understand Table 8 as an indication of the order of magnitude of the annual net fiscal position of the proposal over time and as affected by the TIF agreement. We believe this is the most important fiscal perspective from which to gauge the fiscal value of the proposal. Obviously, we or anyone can assume various rates of tax growth and or service cost growth to generate "more future oriented" numbers. We have decided that to present a clear illustration of the dynamics and order of magnitude between a 10 year build out and a 20 year TIF impact on some elements of the proposal, the best approach is to illustrate said point by using constant 2007 dollars. Therefore, we use constant values but vary the tax yield and costs depending build out rate and the application of the TIF.

As shown in the notes to Table 8, by year 5 we assume a 50% residential build out and a 50% commercial build out; and full build out by year 10. Between years 5 and 10 net revenues to the Town increase due to increasing commercial development but the rate of revenue flowing to the town is impacted by the TIF agreement. After year 10 the inherent service cost remains stable and as the TIF diminishes (moves toward 0% of annual tax revenue by the year 20) the gross revenues to the town increase slightly.

As indicated in Table 8 below, by year 20, the annual gross property tax will expand from the current $261,000 to $2,386,000, considering only the fiscal implications of the new and renovated components of the plan. From a fiscal perspective the Master Plan represents a long term fiscal advantage with no short term downside. Further, it should be noted that Table 8 holds constant the taxable value of the "as is" or existing buildings. This is a very conservative commercial assumption. If one were to assume that said buildings would in 20 years reflect regional market values, the net fiscal impact to shown in Table 8 would increase from 1.3 to 1.5 million dollars.

However, the main focus of Table 8 is the new or renovated components totaling 803,500 square feet and the residential scenario comprised of 230 condominiums and 300 apartments. As has been the practice of this report a discussion will follow illustrating the fiscal implications of the other residential scenarios.

Table 8. 20 Year Fiscal Profile and TIF

Uses	Revenue Year 1 $	Revenue Year 5 $ (3)	Revenue Year 10 $ (4)	Revenue Year 20 $ (5)
Existing "As Is"	261,000	261,000	261,000	261,000
Subject to TIF				
$6 million improvements to office and medical office (1)	0	19,000	38,000	76,000
Not Subject to TIF				
Residential	0	626,000	1,252,000	1,252,000
80,000 sf. ware-house/office	0	30,000	60,000	60,000
100,000 sf. Recreation	0	32,000	64,000	64,000
7,500 sf. Restaurant	0	16,000	16,000	16,000
216,000 sf. Retail	0	$410,000	410,000	410,000
Total Revenue	**261,000**	**1,362,000**	**2,111,000**	**2,139,000**
Commercial Cost @$0.21 (2)	44,000	88,000	$129,000	129,000
Residential Cost		467,000	934,000(6)	934,000
Total Cost		**557,000**	**1,063,000**	**1,063,000**
Total Annual Net Gain (Loss)	**217,000**	**807,000**	**1,048,000**	**1,076,000**

(1) Assumes renovations to 200,000 sq. ft of office and medical office complete in 5 years, and a 50% TIF,; 400,000 complete by year 10 with a 50% TIF. Assumes TIF ends in 20 years.
(2) Assumes a service cost of $ 0.21 for new and renovated space only, and a cost to revenue ratio of 0.17 for "as is" space.
(3) Assumes a 50% commercial build out by year 5, but 100% build out for restaurant and retail.
(4) Assumes full build out by year 10, and assumes a TIF at 50% on subject properties.
(5) Assumes the TIF has expired and all planned development in place, current dollars
(6) Assumes full residential build out in ten years.

As shown in Table 8, by Year 5 both the residential and commercial components are positive and the proposal is generating a net gain of approximately $807,000 per year. By year 10, or half way through the TIF agreement but assuming full build out, the commercial component drives the net fiscal benefit to $1,048,000 per year. By year 20 with the TIF removed and the proposal performing as a traditional mixed use

development the proposal generates a net annual fiscal benefit of $1,076,000. Clearly the TIF represents a minor fiscal impact when the full proposal is considered at any stage in the 10 year build out or 20 year TIF period.

In cumulative terms, we estimate that in five years the cumulative net fiscal benefit will be between $2,500,000 and $2,800,000 in net revenues. By year ten the cumulative net fiscal benefit to the community will be approaching 5 million dollars and generating over a million dollars (current dollars) in net revenue thereafter.

Please note if the existing buildings are fully rented, in addition to the net gains generated by the new development, we estimate that in 10 years the net cumulative benefit would easily be in excess of 10 million dollars and the annual net fiscal benefit would be approximately 2.5 million dollars annually. It is our belief that the new development represents the best opportunity to significantly improve the market viability of the existing buildings, we view the new construction as the trigger mechanism to unlock the full fiscal potential of the project area.

8.0 New Growth Tax Benefits

Consistent with State regulations the taxes generated by new growth may be collected and used as a revenue source for one year before becoming part of total assessed valuation and subject to mandated levy limitations. This feature of municipal finance was designed to provide municipalities with budgetary flexibility and to encourage new growth. As the project is constructed the appropriate tax year value will be calculated as new growth revenues. At completion, the Master Plan will have added approximately 80 million dollars in commercial value and 110,000,000 million dollars in residential value for a total of $190,000,000 in total assessed valuation. The construction brought on line on an annual basis will be considered as new growth for tax purposes. While the new growth will not occur in set amounts per year for purposes of illustration, it will add approximately $19,000,000 in new growth per year for a ten year period.

9.0 Construction Permit Revenue and Utility Connection Fees

In addition to property taxes and excise taxes the proposed residences and commercial development will generate building permit, electrical, and plumbing fees as each component of the proposal comes on line. We estimate that the proposal will generate at least $1,500,000 in additional fees for the general fund during the project build-out period (current dollar value). Said fees will be one time fees but will constitute a short term immediate fiscal benefit to the community.

10.0 Economic Impact and Related Fiscal Benefits.

Capturing a portion of the disposable income generated by new residents is important for all communities developing residential uses, but in this instance there are clearly significant implications for long term fiscal stability of the proposal as a whole. From our perspective, the inclusion of a 530 unit residential component is tantamount to

creating a primary market area adjacent to a proposed commercial center. It will not fully support the new commercial development but it will provide a significant captured market that many new commercial centers cannot achieve.

We find that the proposal will not only increase the taxable value of the existing businesses and generate more tax revenues from existing uses, but it represents the most effective land use action that will augment the economic viability of the proposed retail component. Given that said benefit will be derived from a development proposal which generates a significant annual fiscal benefit, serves to illustrate the strong fiscal advantages inherent in the mixed use nature of the proposal.

While the proposals for improved and new space will generate approximately 2,200 full time jobs in addition to construction employment and the 1,000 jobs in the "as is," the residential component will have the more significant impact on local retail sales. The new employee base will support restaurant and convenience service uses but the new residents will represent the large majority of the new of the disposal income available for expenditure in North Andover. We estimate that the average new household will have an income of approximately $100,000. Further, that including food and clothing purchases the total disposable income will be approximately $25,000 per year of which up to 30% or $7,500 will be spent in North Andover given the existing service and retail base. With 530 dwelling units the total base retail expenditures will be approximately 4 million dollars, per year. Expenditures by employees can vary significantly by job type but ease of access to retail and service opportunities is a critical factor. In this instance, retail sales and service opportunities will be on site, as such, we have assigned a $1,000 per employee expenditure to the estimated 3,200 employees who will be on site at build out. The resulting sales value of 3.2 million dollars increases overall initial sales value to 7.2 million dollars.

When a traditional retail multiplier of 2.2 is applied to the initial sales figure of 7.2 million in expenditures, overall retail sales in North Andover will likely increase by 15.8 million dollars per year. Since local retail businesses are taxed via the income method, the additional local sales volume is an indirect but important additional fiscal benefit.

10.0 Other Short Term or One Time Revenue Sources

Assuming the proposal qualifies as a Chapter 40R zoning district the proposal could generate an additional $600,000 incentive payment and an additional $3,000 per unit payment as each of the 530 units comes on line for an additional $1.59 million dollars. Therefore, it is possible that the proposal will generate $2.19 million dollars in state funds. Combined with permit fees total one time payments will be approximately $3,690,000. In addition, the proposal is subject to the 3% Community Preservation Act (CPA) tax. Said tax is payable on the sale of residential units in this instance the 339 market rate condominiums. With the initial $100,000 in sales value exempt from taxation we estimate that the CPA will generate an additional $30,000 per year and $600,000 in 20 years.

Appendix 1: Local School Age Student Generation and Multi-Family Housing. [1]

North Andover Developments

Development	No. of Units	No. Affordable	1-BR	2-BR	3-BR	4-BR	No. of BRs	No. of Students	Students per Unit	Students per BR	% of 3 or more BRs
Woodridge Homes	230	230	92	69	46	23	460	141	0.613	0.307	30.0%
Andrew Circle	32	0	0	32	0	0	64	13	0.406	0.203	0.0%
Village Green	205	0	28	126	51	0	433	55	0.268	0.127	24.9%
Herritage Green	438	0	56	302	80	0	900	100	0.228	0.111	18.3%
Meadow View	168	0	36	110	22	0	322	38	0.226	0.118	13.1%
Royal Crest	588	0	0	444	144	0	1320	94	0.160	0.071	24.5%
Mill Pond	120	0	0	108	12	0	252	18	0.150	0.071	10.0%
Alcott Village	39	0	0	39	0	0	78	3	0.077	0.038	0.0%
Brookside	29	0	0	28	1	0	59	2	0.069	0.034	3.4%
Sutton Pond	187	0	102	83	2	0	274	3	0.016	0.011	1.1%
Total	2036	230					4162	467	0.229	0.112	

Andover Developments

Development	No. of Units	No. Affordable	1-BR	2-BR	3-BR	4-BR	No. of BRs	No. of Students	Students per Unit	Students per BR	% of 3 or more BRs
Greenwood Meadows	20	5	0	0	4	16	76	4	0.200	0.053	100.0%
Brookside Estates	168	42	18	64	86	0	404	33	0.196	0.082	51.2%
Riverview Commons	220	??	134	74	12	0	318	34	0.155	0.107	5.5%
Ballardvale Crossing	68	17	21	23	23	1	140	8	0.118	0.057	35.3%
Coachman's Ridge	80	20	8	74	0	0	156	3	0.038	0.019	0.0%
Total	636	104					1250	85	0.134	0.068	

[1] Source: Data compiled through North Andover Housing Partnership Committee (2007).

Appendix 2

The tables below provide school aged children information relative to atypical and typical multi-family locations. It has been my experience that an atypical location has at least four of the following characteristics:

- Multi family locations and building types that are not physically or easily connected by safe pedestrian access to surrounding established neighborhoods.
- Multi-family residences that prove no or minimal safe private recreation areas for children.
- Multi-family residential development located above commercial uses.
- Multi-family development primarily accessed by elevators.
- Multi-family locations located in primarily commercial settings serving community wide or regional residential markets.

Atypical Comparables

Name/ Location	Number of Residences	Number of Students	Students per Residence
Canton Center (new construction)	350	4	0.012
Village at Vinnen Square Swampscott	518	8	0.015
Imperial Towers 6 -7 stories) Newton.	152	0	0.000
Cronin's Landing Waltham	281	1	0.014
Long View Place Waltham	348	2	0.006
Park View Winchester	350	10	0.035
Wellington Place Medford	137	10	0.073
Coolidge St. Condominiums Watertown	342	6	0.017
Jefferson at Salem Station, Salem (40B)	265	30	0.113
Oak Grove Village Melrose	515 (240 completed 110 rented)	0	0.000
Parkway Mystic,	48	1	0.200

Arlington			
Total	2,901	72	0.0248

Typical Multi-family SAC

Name/ Location	Number of Multi-Family Residences	Number of Students	Students per Residence
Town of Acton All multi-family	2,271	267	0.117
Boxborough Condominiums	572	74	0.129
Reading Condominiums Incl. 40B	527	49	0.092
Scituate Condominiums	112	10	0.089
Marshfield Condominiums Incl. 40B	445	83	0.186
Total	**3,927**	**483**	**0.112**